



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 20, 1998

### **H.R. 3528** **Alternative Dispute Resolution Act of 1998**

*As ordered reported by the House Committee on the Judiciary on March 24, 1998*

CBO estimates that implementing H.R. 3528 would result in no significant net costs to the federal government. Because this bill would not affect direct spending or receipts, pay-as-you-go procedures would not apply. The legislation contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act of 1995. The bill would only affect the budgets of state, local, or tribal governments if those governments were parties to a case in federal district court and if they chose to participate in an alternative form of dispute resolution. In those cases, state, local, and tribal governments might realize some savings from lower litigation costs.

Enacting H.R. 3528 would require all 94 federal district courts to establish an alternative dispute resolution (ADR) program for resolving certain civil cases. An ADR program could include such processes as arbitration, mediation, neutral evaluation, and mini-trials. Under the bill, the courts could mandate that litigants in a civil case use an ADR process, except arbitration, which would require the consent of all parties to the case. According to the Administrative Office of the United States Courts (AOUSC), about 75 federal district courts presently have some form of ADR in operation.

Based on information from the AOUSC, CBO expects that under H.R. 3528 the district courts without an ADR program (fewer than 20) would establish some type of program beginning in fiscal year 1999. Because the bill also would require that an existing employee in each district administer the ADR program, CBO expects that additional appropriations would be required only to fund the expenses of arbitrators and other neutral parties that would be used in the various ADR processes for those district courts without an existing program. Based on current costs required to support a typical program's expenses, CBO estimates that such expenditures would average about \$6,000 (in 1998 dollars) per district each year. Costs in subsequent years could increase if participation in the ADR programs increases as courts become more accustomed to using alternatives to trials. In any case, CBO estimates that added costs would be less than \$500,000 annually, subject to the availability of appropriated funds.

CBO expects that expanding the use of ADR processes to all district courts could yield some net savings in the costs of court administration. However, CBO expects that any such savings would not be significant over the next five years.

The staff contacts for this estimate are Susanne S. Mehlman (for federal costs), and Leo Lex (for the state and local impact). This estimate was approved by Robert A. Sunshine, Deputy Assistant Director for Budget Analysis.